

Message Text

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ACTION SS-15

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FOR E UNDER SECRETARY COOPER

E.O. 11652: N/A
TAGS: ETRD, OECD, XCSS
SUBJECT: XCSS: OECD RELATIONS WITH LDCS

REF: PARIS 09403

1. SUMMARY: SECRETARIAT PAPER FOR XCSS DISCUSSION OF
"EMERGENCE OF NEWLY INDUSTRIALIZING COUNTRIES" RAISES
ISSUE OF INCREASING OECD/LDC CONTACTS ON SECTORAL
QUESTIONS. THIS IS OF MORE THAN JUST THEORETICAL
INTEREST, AS THERE IS (IN ADDITION TO RECENT KOREAN
FEELER RE MEMBERSHIP IN THE ORGANIZATION) ACTIVE
CONSIDERATION OF POSSIBLE LDC INVOLVEMENT IN OECD
ACTIVITIES RELATED TO SHIPBUILDING, STEEL, AND EXPORT
CREDITS. JAPANESE DCM HAS RECENTLY TOLD US GOJ IS
VERY CONCERNED THAT OECD ATTEMPTS TO INVOLVE LDCS IN
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SECTORAL ENDEAVORS, EVEN SIMPLE EXCHANGES OF INFORMA-
TION, WOULD INEVITABLY BE AIMED AT GETTING THEM TO
REDUCE EXPORTS OR INVESTMENT AND THUS HAVE VERY
ADVERSE POLITICAL EFFECTS. JAPANESE MAY RAISE ISSUE
AT XCSS BUREAU OR PLENARY, OR BILATERALLY WITH UNDER
SECRETARY COOPER, AND WE URGE U.S. BE PREPARED TO
GIVE ITW VIEWS ON PARTICIPATION OF SELECTED LDC'S IN

CERTAIN OECD ACTIVITIES. END SUMMARY.

2. QUESTION OF WHETHER AND HOW CERTAIN LDCS SHOULD BE INVOLVED IN SELECTED OECD ACTIVITIES HAS BEEN ON OECD'S AGENDA FOR SOME TIME AS A RESULT OF COLOMBIAN FEELER ABOUT JOINING ORGANIZATION TWO YEARS AGO. MORE RECENTLY KOREA HAS INDICATED SIMILAR INTEREST (REF A). AT LAST YEAR'S MINISTERIAL THE SECRETARY GENERAL GOT A MANDATE TO LOOK INTO THE GENERAL ISSUE, AND WE UNDERSTAND FRUIT OF SECRETARIAT THINKING MAY BE AVAILABLE IN COMING MONTHS. QUESTION HAS RECENTLY COME TO FORE, HOWEVER, AS PROGRESS IN SEVERAL SPECIFIC OECD ACTIVITIES HAS LED PARTICIPANTS TO THINK ABOUT BRINGING RELEVANT LDC'S INTO PICTURE: IN THE EXPORT CREDIT CONSENSUS, THE U.S. HAS EXPRESSED SOME INTEREST IN BRINGING IN KEY LDC'S; IN THE STEEL GROUP, THE EC HAS SEVERAL TIMES NOTED THE NEED TO INVOLVE LDC PRODUCERS IN MULTILATERAL WORK; AND IN THE SHIPBUILDING WORKING PARTY A PAPER HAS BEEN ISSUED C/WP6(78)12 ANALYZING WAYS TO INVOLVE RELEVANT LDCS IN THIS AREA. FINALLY, THE XCSS PAPER CE(77)7 ON THE EMERGENCE OF NEWLY INDUSTRIALIZING COUNTRIES FOR THE APRIL 14 MEETING SUGGESTS OECD AND LCDS HAVE A COMMON INTEREST IN AVOIDING THE EMERGENCE OF EXCESS CAPACITY IN PARTICULAR PRODUCTS AND SHOULD UNDERTAKE A MORE SYSTEMATIC EXCHANGE OF INFORMATION ON INVESTMENT PLANS, LIMITED OFFICIAL USE

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AND RAISES THE QUESTION OF THE ADEQUACY OF EXISTING ARRANGEMENTS FOR CONSULTATIONS AND COOPERATION BETWEEN INDUSTRIALIZED AND NEWLY INDUSTRIALIZING COUNTRIES.

3. THE JAPANESE ARE EXTREMELY CONCERNED ABOUT A TENDENCY TO ACCEPT THE EXTENSION OF CERTAIN OECD ACTIVITIES TO RELEVANT LDC'S. IN THE PAST THEY HAVE STRONGLY PROTESTED THE EC'S IDEAS ON THIS IN THE STEEL GROUP. ON MARCH 30 THE JAPANESE DCM (YANAI) APPROACHED THE MISSION (KATZ) TO COMPLAIN ABOUT THE SECRETARIAT'S PAPER ON CONTACTS WITH LDCS ON SHIPBUILDING. YANAI FELT INTENTION WAS ESSENTIALLY TO ASK COUNTRIES SUCH AS BRAZIL, KOREA, AND SINGAPORE TO REDUCE THEIR SHIPBUILDING CAPACITY (HE SAID UK DEL LAST YEAR IN HIS CAPACITY AS EC PRESIDENT INFORMALLY PROPOSED 40-40-20 MARKET SHARING FOR EC, JAPAN, AND "OTHERS" RESPECTIVELY). JAPANESE FELT SUCH AS EFFORT WOULD BE VERY DAMAGING POLITICALLY TO N/S RELATIONS AND TO THE OECD IMAGE. YANAI SAW SIMILAR DANGERS IN

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LDC INVOLVEMENT IN ANY OECD WORK CONCERNING TROUBLED INDUSTRIES, AND THAT EVEN OBSERVER STATUS OR INFORMATION EXCHANGES WOULD OPEN LDCS TO CRITICISM ABOUT INVESTMENT EXPANSION PLANS AND CAUSE ADVERSE POLITICAL FALLOUT. HE CALLED AGAIN TO EXPRESS SERIOUS JAPANESE CONCERN ABOUT THRUST OF XCSS DOCUMENT ON NEWLY INDUSTRIALIZING COUNTRIES. WITH RESPECT TO QUESTION OF SOUTH KOREAN MEMBERSHIP IN OECD, YANAI SAID GOJ WOULD NOT OPPOSE IT WHEN TIME IS RIPE -- BUT THAT THAT TIME HAS NOT YET COME. HE SAID THAT HIS IMPRESSION IS THAT KOREAN INFORMALLY STATED INTEREST IN PARTICIPATING IN SELECTED SECTOR WORK (REF A) MAY BE KOREAN FOREIGN OFFICE VIEW BASED ON JAPANESE EXPERIENCE OF PARTICIPATING IN DAG/DAC BEFORE JOINING OECD. HE SAID THAT KOREAN INDUSTRY AND FINANCE MINISTRIES ARE FAR MORE CAUTIOUS ABOUT ASSOCIATING WITH OECD.

4. POINT RAISED BY JAPANESE IS AN IMPORTANT ONE TO

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THEM, AND WE THINK IT MIGHT WELL COME UP AT XCSS
PLENARY OR BUREAU OR IN BILATERAL WITH UNDER SECRETARY
COOPER. OUR INFORMAL TALKS WITH OTHER MEMBERS OF
THE JAPANESE DELEGATION REVEAL THAT BEHIND OR IN
ADDITION TO THEIR CONCERN ABOUT THE ROLE OF THE OECD
IN N/S POLITICS MAY BE SOME MORE BASIC PREOCCUPATIONS
WITH THE ECONOMIC/POLITICAL STABILITY OF KOREA,
SINGAPORE, AND TAIWAN AND SUSPICION THAT THE EC WANTS
TO STOP JAPANESE ENCROACHMENT IN THEIR LDC MARKETS,
AFRICA FOR EXAMPLE. THEY WILL NO DOUBT SEEK U.S.
SUPPORT FOR THEIR VIEW THAT LDC INVOLVEMENT IN
OECD SECTORAL ACTIVITIES BE APPROACHED VERY, VERY
CAREFULLY, IF AT ALL. WE THINK U.S. SHOULD BE PREPARED
TO GIVE GOJ (AND OTHERS) ITS VIEWS ON THIS QUESTION.

5. COMMENT: USG HAS STATED AT HIGHEST LEVELS ITS
OBJECTIVE OF INTEGRATING MORE ADVANCED LDC'S INTO
DEVELOPED ECONOMIC SYSTEM, BOTH FOR POLITICAL AND
ECONOMIC REASONS. AS FAR AS OECD IS CONCERNED, IT IS
GENERALLY RECOGNIZED THAT HIS BODY'S USEFULNESS
DEPENDS ON MAINTAINING ITS ESSENTIAL COHERENCE AS A
FORUM OF LIKE MINDED INDUSTRIALIZED DEMOCRACIES.
THIS ARGUES AGAINST BROADENING MEMBERSHIP TO INCLUDE
LDCS, BUT MAINTAINING THE COHERENCE AND IDENTITY
OF THE FORUM WOULD BE COMPATIBLE WITH WORKING OUT
MODALITIES FOR INVOLVING CERTAIN LDCS IN SELECTED
ACTIVITIES SUCH AS EXPORT CREDITS, STEEL, ENERGY R&D,
DEVELOPMENT ASSISTANCE, OR ECONOMIC POLICY REVIEWS.

6. THE JAPANESE CONCERNS ON POLITICAL GROUNDS,
HOWEVER, MERIT BEING TAKEN INTO ACCOUNT. IT WOULD
INDEED BE UNFORTUNATE IF THE CONTACTS BWTWEEN THE
INDUSTRIALIZED COUNTRIES AND LDCS THROUGH OECD ARE
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CONCENTRATED ON LIMITING LDC EXPORTS AND INVESTMENTS.
IN SPECIFIC CASES U.S. INTERESTS IN AVOIDING CARTEL-
IZATION OF WORLD MARKETS MAY COINCIDE WITH THOSE OF
JAPAN AND WE MAY WANT TO JOIN THEM IN BEING CAUTIOUS
ABOUT LDC INVOLVEMENT. IN OTHERS, HWERE A SECTOR
ARRANGEMENT OF SOME SORT IS DEEMED DESIRABLE, E.G.
EXCHANGE OF INVESTMENT INFORMATION, OR AGREEMENT ON
SECTORAL RULES OF THE GAME, IT WILL BE OF MUTUAL
INTEREST BOTH TO THE DCS AND TO THE LDC PRODUCERS
TO TRY TO BRING THE LATTER INTO THE SYSTEM EVEN IF
THEY MAY BALK AT SOME OF THE CONDITIONS. IN SOME
CASES IT IS POSSIBLE THAT FAILURE TO INVOLVE KEY
LDC'S WOULD RESULT IN SYSTEMS OF COOPERATION WHICH
ESSENTIALLY DISCRIMINATE AGAINST EHM -- FOR EXAMPLE
IN EXPORT CREDITS THEY MIGHT NOT HAVE THE SAFEGUARDS

THE PRESENT PARTICIPANTS HAVE WITH RESPECT TO MATCHING
OF TERMS. IN SUCH INSTANCES IT WOULD SEEM THE
POLITICAL EFFECTS OF NOT INVITING THEM TO JOIN WOULD
BE WORSE THAN INVITING THEM. IN THE SPECIFIC CASE
OF SHIPBUILDING OUR INTERESTS ARE LESS CLEAR. WE
OURSELVES ARE ONLY OBSERVERS IN THE OECD GROUP CON-
CERNED AND WHILE WE MAY NOT APPROVE ON PRINCIPLE THE
MARKET SHARING THRUST OF THE EUROPEAN'S CAMPAIGN
AGAINST THE JAPANESE AND THE NEWLY INDUSTRIALIZING
COUNTRIES, WE ARE NOT WELL PLACED TO OBJECT. IN SUM,
WE CONCLUDE LDC INVOLVEMENT IN SPECIFIC ISSUES WILL HAVE
TO BE DEALT WITH PRAGMATICALLY ON A CASE-BY-CASE BASIS,
WITHIN A FRAMEWORK THAT ENSURES THE RELEVANT POLITICAL
FACTORS ARE FULLY TAKEN INTO ACCOUNT.
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